

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1734-01  
Bill No.: HB 696  
Subject: Contracts and Contractors; Construction and Building Codes; Insurance - General  
Type: Original  
Date: March 14, 2011

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Bill Summary:           Modifies provisions relating to the treatment of indemnification, insurance, and hold harmless clauses within construction work contracts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Facilities Management, Design and Construction, Office of State Courts Administrator, Department of Insurance, Financial Institutions, and Professional Registration, Department of Labor and Industrial Relations, Missouri Department of Transportation, Missouri Department of Conservation, St. Louis County, Kansas City Metropolitan Community College, Linn State Technical College, Northwest Missouri State University, Missouri Southern State University, Missouri Western State University, Missouri State University and University of Central Missouri** assume the proposal would have no fiscal impact on their agencies.

Officials from the **University of Missouri** assume the legislation will have no significant impact on their organization (over \$100,000).

Officials at the **City of Kansas City (City)** assume this legislation would have a negative fiscal impact on the City because of the increased liability exposure. This legislation would limit the City's ability to require an intermediate level of indemnification in its construction contracts, which is now supported by insurance. This proposed legislation would bring it "down" to a "limited" level. Each party would be liable only for each party's own respective negligence. Right now, even if Kansas City is 99% at fault, as long as the contractor is 1% at fault the insurance would cover the City. The contractors, by statute, pass the costs on to Kansas City anyway and the exposure is limited to the amounts of insurance required.

Kansas City no longer requires that it be indemnified for its own negligence (sole negligence or a "broad" level of indemnity). The City uses the intermediate level described above. The changes proposed in this legislation would take that away and Kansas City would be left with the limited level.

**Oversight** assumes the City of Kansas City will incur a minimal fiscal impact as a result of this legislation as it is impossible to determine when a liability issue could occur.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -  
Division of Facilities Management, Design and Construction  
Office of State Courts Administrator  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Labor and Industrial Relations  
Missouri Department of Transportation  
Missouri Department of Conservation  
City of Kansas City  
St. Louis County  
Kansas City Metropolitan Community College  
Linn State Technical College  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
University of Central Missouri  
University of Missouri



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March 14, 2011

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